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Town of Espanola Non-Profit Housing Corporation
Business Plan for Affordable Senior/Supportive
Housing in Espanola

September 2011

PREPARED BY:



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1.0 Background

1.1 Introduction

The Town of Espanola Non-Profit Housing Corporation is a non-profit organization that has been operating since 1986 which provides affordable housing for seniors in Espanola. The Town of Espanola Non-Profit Housing Corporation has experience caring for seniors, strong reputation in the local community, and a flexible organizational structure that ideally positions the organization to meet the growing housing service provision needs for seniors in the Town of Espanola. Recognizing the continuing need for affordable rental accommodation for seniors in their community, the corporation is very interested in meeting this need and expanding their housing portfolio by intensifying the use of land they currently own.

1.2 Purpose

This report has been prepared as part of the development activities funded by the Canada Mortgage and Housing Corporation (CMHC) Seed Funding Program. Its purpose is to explore the feasibility of developing an affordable senior/supportive housing project in Espanola, Ontario.

This business plan will assist the Town of Espanola Non-Profit Housing Corporation to define their capacity to undertake the project as it examines the feasibility of the project, particularly in terms of the financial commitment required. It will also serve as a tool for the use of project funders in reviewing the organization's proposed development and its long-term sustainability.

This business plan is a dynamic document that will be updated as the project proceeds through the development stages. It is also a part of a package of two connected and supporting reports prepared for the Town of Espanola Non-Profit Housing Corporation for this project as part of the CMHC Seed Funding program requirements. The second document is the *Need and Demand Analysis of a Senior/Supportive Housing Project in Espanola*.

1.3 Demonstrated Need

As explored in the *Need and Demand Analysis of a Senior/Supportive Housing Project in Espanola*, the need for affordable supportive housing in Espanola is significant. A summary of the findings and recommendations of that report are presented below.

1.3.1 Espanola's Population is Expected to Continue to Age

The population of Espanola aged 64 years and younger experienced a decline of 4.6% from 1996 to 2006, while the population aged 65 years and older saw an increase of 29.6%. This trend is expected to continue to 2035 with the population aged 64 years and younger experiencing a decline in their share of the total population from 81.9% in 2010 to 62.7% in 2035. In contrast, the population aged 65 years and older will see their share of the total population increase from 18.1% in 2010 to 37.3% in 2035.

1.3.2 Need for Smaller Housing Units

The average household size in Espanola decreased from 2.6 persons in 1996 to 2.4 persons in 2006, suggesting a need for smaller housing units. The housing preference survey results also show a strong need and preference for one and two-bedroom housing units.

1.3.3 Affordable Rental Units are Required to Meet the Needs of Many Senior Households

Statistics Canada data from 2005 show that half of seniors in Espanola earned less than \$21,793 annually. This is similar to the survey results with 41.8% of respondents having annual household incomes of less than \$25,000. Considering that average market rent for all unit types in Espanola are only affordable to households earning \$30,500 or more, there is a need for more affordable housing options for low-income households, particularly for senior households.

1.3.4 Limited Affordable Housing Options for Seniors in Espanola

There are currently some housing options for seniors in Espanola, but there are still a significant number of senior households waiting for rent-geared-to-income housing units (42 individuals or couples waiting for an RGI unit in the seniors building, with 24 households on the list for a market rent unit in the building¹). This suggests that there is a need for additional housing options for seniors. In addition, the data shows that the majority (77.9%) of the housing stock in Espanola is composed of single-detached homes while the survey results show a preference for self-contained housing units in a low-rise building of less than five storeys. This indicates a need for more housing options, particularly for an aging population who may find it difficult to deal with the day-to-day upkeep of a single-detached home.

1.3.5 A Range of Accessible Design Features Required

The design of the proposed supportive housing facility and the provision of appropriate support services are essential to successfully meet the needs of the aging population. The survey results show the need for units with bathroom and kitchen accessibility modifications and no stairs. In common areas of the building, wheelchair lifts would be required, as would automatic door openers and handicapped parking.

1.3.6 A Range of Support Services Required

Survey respondents also indicated that they would need the following support services to continue to live independently as they age: housekeeping; transportation; shopping; meal preparation; laundry services; and attendant services such as taking medication, toileting, transferring, and security checks.

¹ As of July 2011.

1.3.7 Conclusion

The analysis supports the development of both a self-contained (independent) housing and supportive housing facility in Espanola for seniors and others requiring a combination of affordable housing and support services to live independently. The ideal facility would be an apartment building with less than five storeys with mostly one and two-bedroom units. Rents should be affordable to lower income households. The facility should be fully accessible to allow residents to remain integrated into the building and neighbourhood's community life. Support services should include housekeeping, transportation, shopping, meal preparation, laundry service, and attendant services. Providing such a facility would help meet the current and future needs of the population of Espanola.

1.4 Project Objectives and Goals

The overall objective of the proposed project is to develop a building that will address the need for more affordable supportive housing units in the community and to ensure that the site owned by the Town of Espanola Non-Profit Housing Corporation will be used to increase the affordable housing stock in the community. In an effort to obtain this objective, the project has goals in the following categories:

- **Project Location:** The project will be located on land owned by the Town of Espanola Non-Profit Housing Corporation abutting the Espanola Regional Hospital and Health Centre on Queensway Avenue in the south end of Espanola. The project will be developed within a multi-purpose health campus that features the hospital, the Espanola Nursing Home, the Espanola and Area Family Health Team, the Community Care Access Centre Area Office, a medical lab, physiotherapy, and diagnostic imaging all under one roof. A Senior's Drop-In Community Centre is also adjacent and holds a number of social and recreational activities and events.
- **Building Design:** The proposed project would consist of 25 rental units in a one or two two storey building, and will include a common room with a full kitchen, laundry room and offices. Both one and two-bedroom units will be provided, and a number of them will be fully modified to assist the elderly population and others in need of accessible living arrangements. These modifications would include, but are not limited to: automatic door openers to the units; wheel-in showers and grab bars in all bathrooms; wider unit entrance doors; pocket-doors within units; wider hallways in common areas with a railing installed on one side.
- **Target Tenant Group:** Tenant households will be seniors of low to moderate income and some may require support to live independently.
- **Project Rent Levels:** The average rents for the affordable units will be no more than 80% of the Average Market Rent for Espanola. It is anticipated that there will be a range of rents in the building; for example, some units may be rented at 70% of Average Market Rent to accommodate the

large number of seniors who have incomes below \$15,000 per year, while other units may be rented at 90% of Average Market Rent in order to achieve the 80% average.

- **Supportive Service:** On a cost recovery basis, the Espanola Regional Hospital and Health Centre will offer support services to eligible residents of the proposed project.
- **Timeline:** The proposed project will be “shovel-ready” in early 2012.

2.0 Organizational Structure

2.1 Mission and Objectives

The focus and mandate of the Town of Espanola Non-Profit Housing Corporation is to provide affordable rental accommodation to low and moderate income families, singles and seniors in the Town of Espanola. Recognizing the continuing need for affordable rental accommodation for seniors in their community, the corporation is interested in meeting this need and expanding their housing portfolio by intensifying the use of land they currently own.

2.2 Corporate Structure and Legal Status

The Town of Espanola Non-Profit Housing Corporation has been in operation since 1986 and provides affordable rental accommodation for low-income seniors in Espanola. Their Board of Directors consists of many members who have been on the board for a number of years, with backgrounds in business, healthcare, finance, education, government and industry. Two members are appointed by the Espanola Regional Hospital and Health Centre, two members are Councillors appointed by the Municipality and two members are appointed by the Town from the community at large. Their building on the Queensway in Espanola is home to 30 senior individuals or couples, and represents the only designated seniors social housing in Espanola. The corporation has a contract with the Espanola Regional Hospital and Health Centre for the management of this building.

2.3 Governance

The current executive and directors of the Town of Espanola Non-Profit Housing Corporation include the following community members:

- Janet Whissell, Chair
- Robert Fairbairn, Vice-Chair
- Clive Fitzjohn, Director
- Maureen VanAlstine, Director
- Marleen McMaster, Director
- Scott Gibson, Director

Directors with experience in housing development will provide guidance in a volunteer capacity during the development phase. Directors with financial management experience will work with the Development Consultant on capital and operating budgets to ensure the financial viability of the proposed project. The Board of Directors will work closely with the senior management team at the Espanola Regional Hospital and Health Centre, led by Ray Hunt, in the development phase.

2.4 Vision

The Corporation's vision is to see the development of an affordable senior/supportive housing project in the Town of Espanola to meet the community's need for affordable housing. The provision of rental accommodation will keep the supply of affordable housing available to households in need for many years to come. While the specific design of the project has yet to be determined, it is expected that the proposed housing project will be composed of one and two-bedroom units. With the development of this project, seniors and persons with disabilities will have access to safe, secure and affordable housing.

3.0 Market Analysis and Summary

3.1 Target Group for Project

The proposed seniors/supportive housing project is designed to meet the needs of low and moderate income senior households.

In order to accommodate this range of tenants, the proposed project will include affordable units. Units would be available to seniors with low or moderate fixed incomes.

3.2 Tenant Selection

To ensure that the maximum units are made available to low and moderate income households, maximum household income level eligibility requirements will apply to all tenants housed when they move into any of the designated affordable rental housing units. The gross annual household income of all eligible tenants will comply with the following at the time of initial occupancy:

Unit Type	Maximum Annual Household Income*
1 Bedroom	\$23,900
2 Bedroom	\$29,000

*May be amended by the Town of Espanola Non-Profit Housing Corporation

3.3 Market Analysis

3.3.1 Affordability

An analysis of the Manitoulin-Sudbury District Services Board average rent amounts in Espanola shows that these rents are unaffordable to households earning less than \$21,900 per year². An affordability analysis of the Town of Espanola shows that a household would require a gross annual income of at least \$30,500 to be able to afford all types of rental housing units in Espanola. This analysis also shows that the median income of the population aged 65 years and older is \$21,793. This would mean that at least half of the population aged 65 years and older would not be able to afford any housing at average market rent. It should also be noted that if rents do not include utilities, this adds to housing costs for households and may make market rents unaffordable to an even larger percentage of the senior population.

The housing survey conducted in February 2011 as part of the *Need and Demand Analysis of Seniors/Supportive Housing Project in Espanola* showed that more than half of survey respondents that were 55 year of age or older had annual household incomes of less than \$35,000, with 16.5% having incomes of less than \$15,000. This

² With a gross annual household income of \$21,900, a household would only be able to afford a one bedroom unit at average market rent.

demonstrates a need for more affordable housing units, particularly for seniors, in Espanola.

The issue of affordability is addressed in the proposed project by designating the units as affordable with average rents set at no more than 80% of the average market rent for the area. These units will be a mix of one and two-bedroom units.

3.3.2 Need for Supportive Housing

A need for supportive housing for seniors was established through the demographic analysis of the *Need and Demand Analysis for Affordable Senior/Supportive Housing in Espanola* and through the housing preference survey. Currently, senior applicants make up 23.6% of the social housing waiting list in Espanola. Additionally, there are only 18 supportive housing units in Espanola and this is likely not adequate for addressing the housing needs of an aging population.

Although a majority of the respondents to the housing preference survey indicated that they currently did not need support services to live independently, a significant number did say they were currently receiving support services from family members/friends, community organizations, and professional caregivers. Additionally, respondents indicated a need for support services in the near future. The support services identified by respondents include: housekeeping services, transportation, shopping, meal preparation, laundry service, and attendant services.

As a result of these findings, the proposed project will offer a wide range of support services to seniors and persons with disabilities. The Espanola Regional Hospital and Health Centre will be the primary support service provider for the project. The services offered on a fee for service basis (contained in occupancy agreement) and will include assistance to their clients with daily activities such as:

- Taking medication
- Personal grooming and hygiene
- Rising and retiring
- Dressing and undressing, bathing and washing
- Transferring
- Preparing meals
- Range of motion exercises
- Essential communication tasks
- Laundry, housekeeping, and shopping
- Transportation for appointments and leisure activities

In addition, support services provided by organizations such as the Victorian Order of

Nurses will be made available to residents in the proposed project. Possible services include:

- Adult Day Centre
- Meals on Wheels
- Telephone Reassurance
- Transportation Service

Other possible contracted services that may be accessed include:

- Hairdressing and barber services
- Hearing services
- Dental services and dentist
- Massage therapy
- Respiratory health services
- Foot care
- Physiotherapy
- Manicurist
- Religious services

Tenants could be provided with a menu of services from which they could select what they like. Those that are fee for service would be paid over and above their rent.

3.4 Summary of Marketing Plan

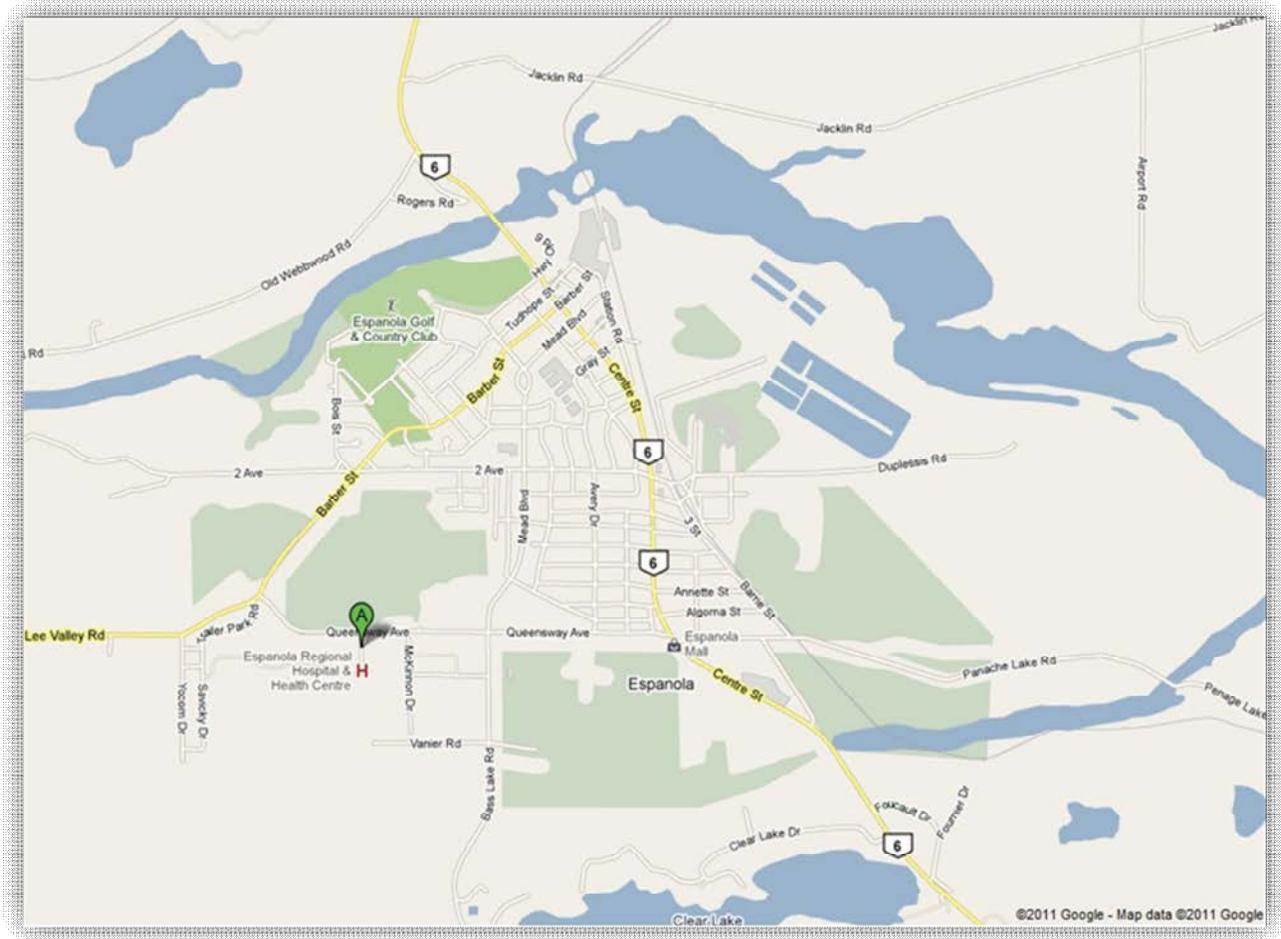
As noted, the project would contain 25 affordable rental units as defined under the *Canada-Ontario Affordable Housing Program 2009 Extension*. All applicants for these units will be required to provide documentation of their gross household income. Only applicants with incomes at or below the maximum annual household income levels would be eligible for these units.

4.0 Project Concept and Design

4.1 Site Characteristics

The site owned by the Town of Espanola Non-Profit Organization is located close to the Espanola Regional Hospital and Health Centre on Queensway Avenue in the south end of Espanola.

Figure 1: Map of the Town of Espanola, Ontario



4.2 Planning Approvals

The proposed project will be developed on land currently owned by the Town of Espanola Non-Profit Housing Corporation and located adjacent to the Espanola Regional Hospital and Health Centre (see Appendix A). A discussion with the Town of Espanola's Planning Department found that the land is zoned and serviced for the intended use (including sewer and water capacity); therefore no major barriers are anticipated from a planning standpoint. The proposed development would be designed to comply with all municipal planning requirements.

4.3 Design Characteristics

4.3.1 General Characteristics

The proposed project will consist of 25 residential units. Each unit will include a fridge and a stove. The table below provides more detail about proposed unit sizes and composition. Units have been kept to a modest size to encourage affordability.

Units	# of Units	Unit Size	Tenant's Average Monthly Rent Payment
1 Bedroom	16	550 SF	\$437
1 Bedroom Modified	4	600 SF	\$437
2 Bedroom	4	650 SF	\$499
2 Bedroom Modified	1	700 SF	\$499
	25	14,400 SF	

The unit composition and sizes reflect preferences that were expressed by respondents to the housing preference survey conducted in February 2011, and to the overall trend in the area toward smaller household sizes. At least four of the units will be fully accessible.

It is anticipated that the building will be a one or two-storey building. Ideally, the site is large enough to accommodate a single storey building; a two-storey building would have additional construction and operating costs for an elevator, in addition to being less accommodating to the senior population.

4.3.2 Interior Amenities and Common Areas

The building will include a laundry room for the tenants, a large common room with a full kitchen, and office space for property management.

The design of the proposed project, including the height of the building and design of the facade, will reflect the residential character of the surrounding neighbourhood.

4.3.3 Accessibility

In addition to the inclusion of accessible units, the proposed project will follow strict facility accessibility design standards. The standards address the needs of persons with disabilities and incorporate the principles of Universal Design.³ These principles are:

³ Universal Design is defined as “the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design.”

Equitable use - The design is useful and marketable to people with diverse abilities.

Flexibility in use - The design accommodates a wide range of individual preferences and abilities

Simple and intuitive - Use of the design is easy to understand, regardless of the user's experience, knowledge, language skills, or current concentration level.

Perceptible information - The design communicates necessary information effectively to the user, regardless of ambient conditions or the user's sensory abilities.

Tolerance for error - The design minimizes hazards and the adverse consequences of accidental or unintended actions.

Low physical effort - The design can be used efficiently and comfortably with a minimum of fatigue.

Size and space for approach and use - Appropriate size and space are provided for approach, reach, manipulation and use, regardless of user's body position, size, posture or mobility.

More specifically, the following components will be incorporated into the common areas of the proposed project:

- Wider corridors and doorways, including unit doorways
- Automatic door opening devices on all entrance doors
- Secured entrance with video surveillance
- Speaker/entry system at accessible height
- Mail boxes at accessible height
- Large print on signage
- Elevator with auditory announcement of floor level
- Flooring appropriate for wheelchairs, walkers and other assistive devices
- Lever handles on all doors and faucets in common areas

Within accessible units, the following components will be incorporated:

- Automatic door openers
- Automatic locking systems on doors
- Ceilings reinforced so that ceiling track and lifting units can be installed
- Accessible appliances appropriately placed

- Lowered countertops with sufficient space underneath to accommodate a wheelchair
- Roll-in ceramic floor shower with controls at lowered level
- Sink with tilted mirror, sufficient space underneath and faucets with lever handles
- Grab bars in bathroom
- Flooring appropriate for wheelchairs, walkers and other assistive devices
- Lowered light switches
- Raised electric and telephone outlets
- Windows that offer views from a seated position
- Lever handles on all doors and faucets

4.3.4 Parking

Surface parking will be provided on the northeast portion of the site on the Queensway Avenue roadway. Parking spaces will be provided for residents, staff, and visitors and will include the appropriate number of handicapped parking spaces.

4.3.5 Energy Efficiency

In terms of energy efficiency measures, and as specified in the proposed *2012 Ontario Building Code*, the proposed project will exceed energy efficiency levels outlined in the *Model National Energy Code for Buildings* by at least 25%⁴. Where appropriate, Energy Star rated products and features will be incorporated into the design of the proposed project, including appliances, lighting, windows, heating and cooling systems, and ducts. Walls and ceilings will also have more insulation than is required by the Ontario Building Code to reduce heat loss.

⁴ This is a requirement of the *Canada-Ontario Affordable Housing Program 2009 Extension*.

5.0 Financial Plan

5.1 Strategies for Self-Sustaining Operation

The proposed seniors/supportive housing project must demonstrate that it is self-sustaining in order to achieve any financial commitments, and the Town of Espanola Non-Profit Housing Corporation must clearly outline how the operation of the new building will generate sufficient revenue to cover operating costs and mortgage payments, and funding of a capital reserve fund. In addition, since many of the tenants will have low, moderate and/or fixed incomes, it is important that rents be kept as low as possible to ensure that they are affordable.

In order to minimize on-going utility costs for the building, a strong emphasis will be placed on energy efficient forms of design and the use of energy efficient appliances. At the very least, the design of the building will comply with requirements of the proposed *2012 Ontario Building Code*.

In order to achieve these requirements, a significant contribution towards capital costs is required to reduce mortgage payments once the building is completed and operating. These funding sources are described in detail in the next section, alongside a summary of the capital costs. This section is followed by an overview of operating revenue and expenses.

5.2 Capital Plan Contributions and Costs

5.2.1 Capital Contributions

In order to fully cover capital costs of the proposed project, the Town of Espanola Non-Profit Housing Corporation will endeavour to access funding from multiple sources. Potential sources are detailed below.

Canada-Ontario Affordable Housing Program: The *Canada-Ontario Affordable Housing Program* has the goal of creating new affordable rental units. The combined federal and provincial contribution is \$120,000 per affordable rental housing unit, and the program allows not-for-profit organizations to undertake developments with no requirements of an equity contribution from the group. There are several conditions attached to this funding, such as a required 20-year affordability period, energy efficiency requirements, and household income limits for new tenants.

Although funding under the 2010 Extension of the program has been expended, it is expected that new funding will be available for projects by mid-2011. A recent announcement was made that the Federal and Provincial Ministers have confirmed funding for affordable housing between 2011 and 2014. Although the funding model is not currently confirmed, it is assumed that it would be relatively similar to the past program. Accordingly, the Town of Espanola Non-Profit Housing Corporation's proposed project capital funding of \$120,000 per unit under the *Canada-Ontario Affordable Housing Program* has been budgeted.

Tax Rebates: As a registered charity, the housing provider would be eligible for a GST rebate for 50% of all costs related to the development of the project. Moreover, the Corporation could apply for 82% rebate on the PST portion of the overall HST on capital costs.

Land: The site for the proposed project is owned free and clear by the Town of Espanola Non-Profit Housing Corporation. The Corporation may choose to contribute the value of this land to the development.

Waiver of Development Charges and Fees: The Town of Espanola will be approached with a request to waive applicable planning fees, building fees, and related municipal charges. These fees - which total \$46,086 - are currently in the capital budget but any waivers of them will reduce the mortgage amount and enhance affordability.

Equity Contribution: As shown in the pro forma budget, it is likely that an equity contribution of approximately \$205,867 will be required from the Corporation over and above program funding in order to meet the proposed project's capital costs. This amount is an estimate based on current funding and capital cost estimates. The required equity can be obtained through any retained equity held by the Town of Espanola Non-Profit Housing Corporation and through local fundraising, as well as through seeking other potential government program funding sources.

5.2.2 Capital Costs

The following table contains a summary of capital costs, as well as details on the sources of funds. The table shows that the project at 25 affordable housing units would incur total project costs of an estimated \$4.5 million, including hard costs (i.e. construction costs) and soft costs that include consultant fees, legal, financing, and organizational costs, and planning permits and fees.

Table 1: Capital Costs and Sources of Funds

Costs		Sources of Funds	
Land	N/A	Affordable Housing Program	\$3,000,000
Hard Costs	\$3,345,630	Equity Required	\$205,867
Soft Costs (including consultants, site, legal and organizational, financing costs and fees and permits)	\$620,969	HST Rebate	\$350,285
HST	\$502,617	Mortgage	\$913,064
Total	\$4,469,216	Total	\$4,469,216

N/A - Land is already owned.

A complete capital budget is included in Appendix B.

5.3 Operational Plan

5.3.1 Operating Revenue

Operating revenue refers to the ongoing income for the project and would include such components as rental income and laundry income. The sources of revenue for the Town of Espanola Non-Profit Housing Corporation's proposed project are detailed below:

Rental Revenue: Rents for the housing units will be below average market rents for comparable units in Espanola. In spring of 2010, the average rents in the area for a one-bedroom and two-bedroom unit were \$550 and \$750 respectively. Rents for the proposed project are planned to be a maximum of 80% of these market rents, or \$440 for a one-bedroom unit and \$600 for a two-bedroom unit. The total rental revenue in the first year of operations is expected to be \$141,600.

Laundry Revenue: The capital budget of the project includes the purchase of two sets of commercial washing machines and dryers for use by the tenants. As this equipment will be obtained by outright purchase rather than a lease arrangement, all income from the equipment will be collected by the housing provider. The total annual laundry revenue is expected to be approximately \$6,300 or \$21 per unit per month.

The following table demonstrates the annual operating revenue for the first five years. The annual increase to tenant rental income and laundry revenue is based on an average rate of change of the most recent five years of the Ontario Rent Increase Guideline. The vacancy rate is calculated to be 3% of tenant rental income and laundry income combined.

Table 2: Annual Operating Revenue for the First Five Years

Item	1st Year	2nd Year	3rd Year	4th Year	5th Year
Tenant Rental Income	\$141,600	\$144,262	\$146,974	\$149,737	\$152,552
Laundry Revenue	\$6,300	\$6,418	\$6,539	\$6,662	\$6,787
Vacancy Loss	(\$4,437)	(\$4,520)	(\$4,605)	(\$4,692)	(\$4,780)
Total Revenue	\$143,463	\$146,160	\$148,908	\$151,707	\$154,559

5.3.2 Operating Expenses

Maintenance costs for the project are calculated at \$1,050 per unit, which is at the more conservative end of CMHC's operating statement guidelines, and would include any maintenance staff salaries, contracted repairs, systems monitoring, and supplies.

It is anticipated that the energy efficient design and features of the building will minimize on-going utility costs. In that regard, annual heating costs for common

areas are calculated at \$100 per unit per year, and water/sewer costs for common areas are at \$100 per unit per year. As tenants will be responsible for their own electricity, heating, and water/sewer costs, the project's budgeted cost for these items is to cover lighting, heating, and water in the common areas (including the exterior of the building) and electricity to operate the building systems and office. An annual capital replacement reserve contribution of 4% of total revenue has been budgeted; these funds are set aside to cover major building or equipment replacement costs in the years to come.

On the administrative side of the operations, a property management fee of \$6,831 has been budgeted representing 4% of the rents at the average market amount and any other operating revenue. An additional \$8,750 has been budgeted for other administrative fees, as well as office supplies and equipment, and administrative services such as the audit, which are not included in the property management fee. Insurance has been budgeted at \$150 per unit per year.

Property taxes are estimated at \$1,000 per unit per year. The Town of Espanola, however, will be approached to waive the municipal tax and the school board will be approached to waive the school tax portion of the project's property taxes. Any reduction in property taxes will result in a lower equity contribution requirement.

As the operating expenses are budgeted without HST, a separate line notes the net cost on this item after the rebate has been applied to the total HST paid for operating expenses.

Finally, an annual mortgage payment of \$52,461 has been budgeted. This amount represents the conversion of the \$913,064 construction loan to a take-out mortgage amortized over 40 years with an interest rate of 5.0%.

Expenses for maintenance, other administrative materials and services, insurance, and property taxes are calculated to increase by 2% per year. This increase is based on the five-year average rate of increase in the Consumer Price Index. Other expenses, such as heat, electricity, and water/sewer are calculated to increase by 4.34% annually based on the five-year average rate of increase in the Consumer Price Index for utilities.

The following table illustrates the annual estimated operating expenses for the first five years of the proposed project.

Table 3: Annual Operating Expenses in the First Five Years

Item	1st Year	2nd Year	3rd Year	4th Year	5th Year
Maintenance Salaries, Materials, and Services	\$26,250	\$26,775	\$27,311	\$27,857	\$28,414
Heat	\$2,500	\$2,609	\$2,722	\$2,840	\$2,963
Electricity	\$2,500	\$2,609	\$2,722	\$2,840	\$2,963
Water/Sewer	\$2,500	\$2,609	\$2,722	\$2,840	\$2,963
Property Management Fee	\$7,155	\$7,289	\$7,426	\$7,566	\$7,708
Other Administrative Materials and Services	\$8,750	\$8,925	\$9,104	\$9,286	\$9,471
Capital Replacement Contribution	\$5,739	\$5,846	\$5,956	\$6,068	\$6,182
Insurance	\$3,750	\$3,825	\$3,902	\$3,980	\$4,059
Property Taxes	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061
HST (net amount after rebate)	\$1,612	\$1,648	\$1,686	\$1,724	\$1,763
Sub-Total	\$85,755	\$87,634	\$89,559	\$91,529	\$93,548
Mortgage Payment	\$52,461	\$52,461	\$52,461	\$52,461	\$52,461
Total Operating Expenses	\$138,216	\$140,096	\$142,020	\$143,991	\$146,009
Net Operating Profit	\$5,247	\$6,065	\$6,888	\$7,771	\$8,550

A complete operating budget is included in Appendix B.

5.4 Debt-Coverage Ratio

The debt-coverage ratio is the ratio of cash available for debt servicing to interest and principal payments. It is a popular benchmark used in the measurement of an entity's ability to produce enough cash to cover its debt payments. The higher this ratio, the easier it is to obtain a loan or to be approved for funding. For example, a debt-coverage ratio of 1.0 means that the entity generates sufficient cash flow to pay its debt obligation. Any debt-coverage ratio below 1.0 indicates that there is not enough cash flow to cover loan payments.

The proposed project has a debt-coverage ratio of 1.1, suggesting that the project is likely to be financially feasible and sustainable. CMHC generally looks for a debt coverage ratio of 1.1 in these projects to ensure that they can operate in a financially sustainable manner.

5.5 Summary

The discussion above shows that the Supportive Seniors project is likely to be feasible as it shows a net operating surplus for each year and has a debt-coverage ratio of 1.1. This suggests that the proposed project is likely to be financially feasible and

sustainable, barring unforeseen costs. Whether the project can be achieved will be determined in large part by the availability of funding under the *Canada-Ontario Affordable Housing Program* and the amount of equity available.

6.0 Development Plan

6.1 Procurement Options

Procurement describes the method used to develop the project. There are many different methods of construction procurement; however, the two most common types of procurement are Turnkey and Pre-Qualified Tender.

6.1.1 Turnkey

A turnkey (also known as a design/build) procurement involves hiring a developer as the designer and contractor for a fixed priced. The developer typically obtains the planning approvals for the proposed project, designs the project in consultation with the Corporation, and builds the project.

The advantages of this option include:

- Least amount of risk compared to other procurement options
- Costs are more predictable
- Suitable for projects whether there is limited equity
- Suitable for projects with specific design requirements
- Suitable to projects where it is important to firm up construction costs early in the process
- Concern over the competitiveness of the cost can be addressed through the use of experts such as an advocate architect or technical consultant who can verify the proposed cost before the contract is signed, and who can evaluate the quality of work when the project is completed

One possible disadvantage of this option is that once the design/build contractor is selected, the process is no longer competitive.

6.1.2 Pre-Qualified Tender

A tender project is a project delivery method in which the Corporation contracts with separate entities for each of the design and construction of a project. There are three main sequential phases to the pre-qualified tender delivery method: the design phase, the bidding (or tender) phase, and the construction phase. In the design phase, the corporation retains an architect to design and produce tender documents on which various general contractors will in turn bid, and ultimately be utilized to construct the project. In the bidding phase, pre-qualified contractors are invited to submit quotations to construct the project in accordance with the tender documents. In the construction phase, once the low bidder is identified, the construction contract is signed and the contractor constructs the building. The project architect inspects the work for compliance with the contract and certifies payment to the contractor.

The advantages of this option include:

- The design team is impartial and looks out for the interest of the Corporation
- The design team prepares documents on which all general contractors place bids
- Improves decision making by providing a range of potential options
- Assists the Corporation in establishing a reasonable price for the project
- Uses competition to improve the efficiency and quality for the Corporation

One possible disadvantage of the Pre-Qualified Tender approach is that the Corporation will be responsible for any cost overruns and/or change orders.

6.1.3 Procurement Options Summary

It is our experience with projects affiliated with public bodies, such as the Town of Espanola Non-Profit Housing Corporation and the Espanola Regional Hospital and Health Centre, that a pre-qualified tender approach is generally preferred in order to establish a competitive, transparent selection process. This procurement option is likely most suitable in this case.

6.2 Management Approach

As mentioned in section 1.4, the proposed project will be owned by the Town of Espanola Non-Profit Housing Corporation while managed by the Espanola Regional Hospital and Health Centre under a Management Services Agreement.

6.2.1 Tenant Management

The tenant management functions relate to the rights and responsibilities of the tenants, as well as of the Town of Espanola Non-Profit Housing Corporation as owner of the building. The property manager will be the first staff responsible for tenant management. Tenant management functions will include:

- Management of the waiting list
- Tenant selection
- Preparation of leases and renewal of tenancy periods
- Verification of household income at occupancy and as required by funding programs
- Calculating and implementing rent increases
- Rent collection
- Providing referrals for tenants to programs and services
- Developing and implementing policies and procedures

- Building a strong community within the building
- Responding to concerns identified by tenants and neighbours in the community
Property Management

6.2.2 Property Management

The property management functions relate to how the building is operated and maintained, which has a direct impact on the enjoyment of the tenants. Property management activities will include:

- Setting up maintenance schedules for regular and preventative maintenance
- Maintenance contract administration
- Overseeing repairs and maintenance by contractors
- Maintaining and cleaning the building's common areas and grounds
- Implementing energy conservation practices and waste reduction programs
- Life safety and security system maintenance
- Preparation of capital repair schedule and ensuring the capital replacement reserve is sufficiently funded
- Financial management, including payment of invoices, bank statement reconciliations, preparation of financial reports

6.2.3 Process of Selection of Additional Staff

Although the Town of Espanola Non-Profit Housing Corporation currently has staff operating a home for seniors, they may be required to expand staff resources for the proposed project. The financial plan includes a \$10,000 per year budget for maintenance staff and \$6,831 per year budget for property management staff.

7.0 Implementation Plan

To turn the vision of the affordable housing project into a reality, the project will follow four major steps:

1. Pre-Development Phase
2. Development Phase
3. Construction Phase
4. Operation Phase



The tasks involved in these phases are detailed in the sections below.

7.1 Pre-Development and Development Phase

The pre-development and development phases include:

- Preparing a Need and Demand study for the project to demonstrate the need for this type of development in the community (Complete)
- Preparing a Business Plan for the proposed project (Complete)
- Selecting a project architect
- Developing and finalizing the project design concept
- Preparing a topographical and boundary survey
- Conducting a Phase I Environmental Site Assessment
- Conducting a Phase II Environmental Site Assessment (if necessary)
- Obtaining appropriate zoning for the proposed project
- Obtaining municipal site plan approval
- Preparing a submission for funding to develop an affordable seniors/supportive housing project under the *Canada-Ontario Affordable Housing Program* or subsequent program
- Finalizing architectural drawings and specifications

- Preparing tender package, selecting contractor, and signing construction contract
- Finalizing the agreements for government or agency funding
- Selection of project lender
- Selection of project quantity surveyor
- Finalizing capital and operating budgets
- Finalizing loan agreement with project lender, including obtaining CMHC undertaking to insure
- Ensuring all other legal agreements are in place

7.2 Construction Phase

The construction phase will include the following work:

- Construction of the project
- Achieving substantial completion
- Conducting deficiency reviews and ensuring all outstanding deficiencies are corrected
- Obtaining the project occupancy permit
- Selection of tenants
- Setting the Interest Adjustment Date
- Confirming arrangements for the mortgage (length of term, setting interest rate, meeting mortgage conditions)
- Co-ordination of the final capital cost audit

7.3 Operation Phase

During the operation phase, the tenants would move into their units, warranty inspections would take place, and the building would be operated by the Espanola Regional Hospital and Health Centre.

7.4 Next Steps

There are a number of key steps to undertake in order to prepare for development of this project, as follows:

1. The Town of Espanola Non-Profit Housing Corporation should pass a motion confirming its intention to commence preparation of a funding application when the details of the updated *Canada-Ontario Affordable Housing Program* become available.

2. The Town of Espanola Non-Profit Housing Corporation should pass a motion confirming its intention to contribute an estimated \$210,000 towards the development in order to enable the project to achieve financial approval.
3. The Town of Espanola Non-Profit Housing Corporation should decide on a procurement option (i.e. turnkey vs. pre-qualified tender). Should the pre-qualified tender option be chosen, the Town of Espanola Non-Profit Housing Corporation should then proceed to select an architect who would be responsible for the project design and tender documents.
4. The Town of Espanola Non-Profit Housing Corporation should complete the Environmental Site Assessment Phase 1 and commence work to obtain planning approvals and a building permit.

In the past, the Ministry of Municipal Affairs and Housing has shown preference to projects that are currently well along in the pre-development process and have completed the necessary steps to ensure the property is “shovel ready” for development. Therefore, it will be in the best interest of the Town of Espanola Non-Profit Housing Corporation to proceed with the steps outlined above; however, it is recognized that there are financial costs to moving ahead with project planning and design and the Corporation may be at risk for these costs, especially if outside funding is not secured.

8.0 Summary and Conclusion

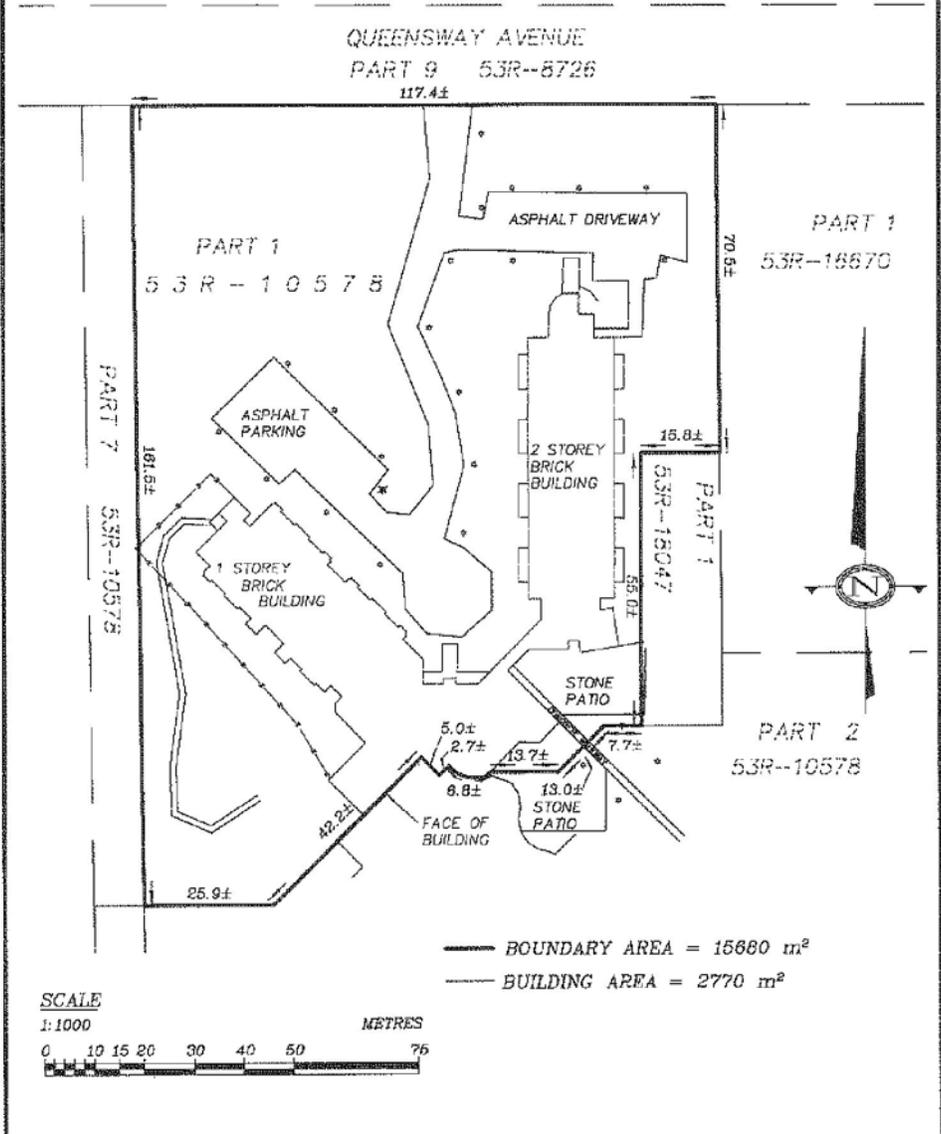
This Business Plan demonstrates the capacity of the Town of Espanola Non-Profit Housing Corporation to move from its current status as a CMHC Seed Funding project towards the development and operation of a 25 unit affordable supportive housing project for seniors and others requiring housing and support services in Espanola.

The analysis shows that the project is financially feasible and would be able to provide affordable rents for households with low and moderate incomes. The next steps for the project will be as follows:

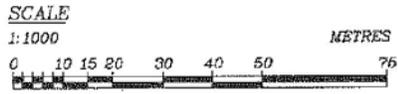
- Continued exploration of funding sources
- Completion of an application for project funding
- Preparation of the design concept for the housing project
- Moving forward with municipal planning approvals
- Updating the financial feasibility analysis

Appendix A: Project Location

SKETCH TO ILLUSTRATE AREAS
 PART OF LOT 9, CONCESSION 4
 TOWNSHIP OF MERRIT
 CORPORATION OF THE TOWN OF ESPANOLA
 DISTRICT OF SUDBURY



— BOUNDARY AREA = 15680 m²
 — BUILDING AREA = 2770 m²



NOTE
 THIS SKETCH IS PREPARED FROM COMPILED
 AND CALCULATED INFORMATION NOT FROM
 AN ACTUAL SURVEY

DISTANCES SHOWN HAVE NOT BEEN VERIFIED

CAUTION
 THIS IS NOT A PLAN OF SURVEY AND SHALL
 NOT BE USED FOR TRANSACTION OR
 MORTGAGE PURPOSES

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Appendix B:
Project Pro Forma - Capital and Operating Budgets

Capital Budget: Soft Costs

Building	Total Cost	Per Unit	Comments
Architect, Engineer, Landscape	\$182,722	\$7,309	6.0% of construction costs
Cost Consultant (Quantity Surveyor)	\$25,500	\$1,020	Estimated based on similar projects
Development Consultant	\$157,500	\$7,000	4.1% of total project costs
Building Sub-total	\$365,722	\$14,629	
Site	Total Cost	Per Unit	Comments
Building and Property Appraisal	\$4,000	\$160	Estimated based on similar projects
Geotechnical Assessment	\$5,000	\$200	Estimated based on similar projects
Environmental Assessment	\$5,000	\$200	Includes phase 1 assessment
Other Studies	\$15,000	\$600	
Site Sub-total	\$30,500	\$1,220	
Legal and Organizational	Total Cost	Per Unit	Comments
Legal Fees	\$30,000	\$1,200	Estimated based on similar projects
Organizational Expenses	\$10,000	\$400	Estimated based on similar projects
Marketing/Rent-up	\$5,000	\$200	Estimated based on similar projects
Capital Cost Audit	\$6,000	\$240	Estimated based on similar projects
Board Insurance	\$2,000	\$80	Estimated based on similar projects
Legal and Organizational Sub-total	\$53,000	\$2,120	
Financing Costs	Total Cost	Per Unit	Comments
Interest During Construction	\$43,541	\$1,742	5.0%. Based on most recent lender quotes
Lender's Legal Financing Fee	\$15,000	\$600	HST will apply to this cost
Lender's Mortgage Advance Fee	\$1,400	\$56	\$350 per cash advance, first two draws are free
Lender's Application Fee	\$2,000	\$80	
CMHC Mortgage Insurance Application Fee	\$5,000	\$200	\$200 per unit for the first 100 units, \$100 thereafter
Insurance Consultant	\$2,000	\$80	
Financing Costs Sub-Total	\$68,941	\$2,758	
Fees and Permits	Total Cost	Per Unit	Comments
Building Permit Fees	\$45,133	\$1,805	\$15 for every \$1,000 of construction
Plumbing/Fixture Fee	\$1,080	\$43	\$40 for first 6 fixtures, \$8 for each additional fixture, \$8 sewer connection fee, \$40 connection to municipal water system
Installation of Underground Tanks	\$160	\$6	\$160 per tank (gasoline, diesel, fuel, oil, water, etc.)
Fees and Permits Sub-total	\$46,373	\$1,855	

Soft Costs Summary	Total Cost	Per Unit	Comments
Soft Costs Sub-total (5,12,19,27,40)	\$564,536	\$22,581	
Soft Cost Contingency	\$56,434	\$2,257	10.0% includes financing costs of \$68,941
Soft Costs Total	\$620,969	\$24,839	

Capital Budget: Hard Costs

Construction Costs	Total Cost	Per Unit	Comments
Base Construction Cost	\$3,008,892	\$120,356	\$165 per square foot of construction
Hydro Connection Fee	\$50,000	\$2,000	Based on similar projects
Sprinklers	\$36,471	\$1,459	\$2 per square foot of construction
Appliances (Fridge & Stove)	\$17,260	\$690	\$863 per unit is a typical cost for a fridge and a stove for non-modified units
Appliances (Washer/Dryer)	\$8,931	\$357	3 sets of washer/dryer. Commercial washer \$2,215, commercial dryer \$762.
Appliances (Modified units)	\$9,700	\$388	Side-by-side fridge \$1100; range is \$840
Furniture and Equipment	\$25,000	\$1,000	Estimated based on similar projects
Escalation	\$94,688	\$3,788	3.0% of construction costs
Contingency	\$94,688	\$3,788	3.0% of construction costs
Construction Costs Sub-total	\$3,345,630	\$133,825	
Land / Property Acquisition Costs	Total Cost	Per Unit	Comments
Purchase Price / Value	\$0	\$0	Land is already owned
Land Cost Sub-total	\$0	\$0	
TOTAL CAPITAL COSTS	Total Cost	Per Unit	Comments
Hard Cost Total	\$3,345,630	\$133,825	
Soft Cost Total	\$620,969	\$24,839	
HST	\$502,617	\$20,105	13%
Total Project Cost	\$4,469,216	\$178,769	
Contributions	Total Cost	Per Unit	Comments
Capital Contribution: Federal-Provincial Affordable Housing Program	\$3,000,000	\$120,000	\$120,000 per unit
PST rebate	\$253,657	\$10,146	82% rebate applied to the PST portion of HST
GST Rebate	\$96,668	\$3,867	50% rebate applied to the GST portion of HST
Equity Contribution	\$205,867	\$8,235	Equity contribution required for financial feasibility
Total Contributions	\$3,556,152	\$142,264	
Total Project Cost Less Contributions	\$913,064	\$36,523	
Mortgage			Comments

Mortgage Amount	\$913,064		Construction loan required in the amount of \$2,078,575 but will be reduced once final round of AHP funding comes in
Mortgage Interest Rate	5.0%		Based on most recent lender quotes
Mortgage Amortization	40 years		
Annual Mortgage Payments	\$52,461		

Operating Budget: First Year Operating Costs

Estimated Operating Revenue	Total	Per Unit	Comments
Rental Income from Tenants	\$141,600	\$5,664	
Laundry Revenue	\$6,300	\$252	Estimated at \$21 per unit per month
Vacancy Loss/Bad Debts	-\$4,437	-\$177	3% of Rental, Parking, Laundry, Locker revenue
Total Operating Revenue	\$143,463	\$5,739	
Estimated Operating Expenses	Total	Per Unit	Comments
Maintenance - Salaries	\$10,000	\$400	Maintenance salaries comment
Maintenance - Materials & Services	\$16,250	\$650	Maintenance materials/services comment
Heat	\$2,500	\$100	Common area heat. Renters pay for heat in units
Electricity	\$2,500	\$100	Common area electricity. Renters pay for electricity in units
Water/Sewer	\$2,500	\$100	Common area water. Renters pay for water/sewer in units
Property Management Fee	\$7,155	\$286	4% of (100% AMR + other revenue)
Other Administrative Materials & Services	\$8,750	\$350	Estimated based on similar projects
Capital Replacement Reserves Contribution	\$5,739	\$230	4% of Total Operating Revenue
Insurance	\$3,750	\$150	CMHC benchmark \$100-\$150 per unit/year
Property Taxes	\$25,000	\$1,000	Mill rate in 2009 was 0.02726474
HST	\$5,318	\$213	Assumes that all Operating expenses are before tax
HST Rebate	-\$3,706	-\$148	Assumes 82% rebate on the PST portion and 50% rebate on the GST portion
Sub-total	\$85,755	\$3,430	
Mortgage Payments	\$52,461	\$2,099	
Total Operating Expenses	\$138,216	\$5,529	
Net Operating Income	\$57,708		
Debt Service	\$52,461		
Debt Coverage Ratio	1.10		
Net Operating Profit/Loss	\$5,247		